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The Impact on Beijing of US Reconsideration of F-16 Sales to Taiwan

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Factors at Play. As the architect of China's US policy, Deng Xiaoping will almost certainly weigh in decisively on Beijing's response to a possible US F-16 sale to Taiwan, as was the case when he reportedly made the decision that China would not act to block France's sale of six frigates to Taiwan last year. Deng's decision will almost certainly be affected by domestic political concerns. Deng is currently in the midst of a high-stakes political struggle at home and his response presumably will be affected by his assessment of how much mileage his critics could get out of an F-16 decision and the extent to which Washington offered "sweeteners" to key constituencies, such as the Chinese Army. He almost certainly wants to avoid taking any step in the foreign policy sphere that gives ammunition to his opponents:

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- Having launched a bold and risky campaign to accelerate economic reform, Deng's attention is now focused on installing a new leadership committed to that goal at the 14th Party Congress expected this fall. The personnel negotiations are now in a very sensitive stage.
- Although Deng currently has strong momentum, his hardline rivals are looking for ways to block his efforts or discredit him. In the past, they have gotten mileage out of attacking his willingness to engage with or make concessions to Washington, thereby questioning his nationalist credentials. They may also blame him for opening a Pandora's box by approving the French frigate deal.

Deng's approach to framing Beijing's strategy on the issue will also be influenced by his assessment of the relative costs and benefits to the overall bilateral relationship; he has been a key proponent of maintaining good relations with Washington for strategic and economic reasons. Moreover, Beijing has shown responsiveness to US concerns over bilateral trade and non-proliferation issues, reflecting the importance it attaches to smooth ties with Washington.

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- China's Vice-Foreign Minister Liu Huaqiu reportedly was to give a presentation at this conference transmitting the new spirit and directives of Chinese leaders on Sino-US relations and China's US policy.
- The general tenor of China's policy was that China cannot afford to be in conflict with the United States. Deng, moreover, had sanctioned the Foreign Ministry's mid-year situation report which established that China needs to improve relations with the United States and at the same time to adhere to its principles on sovereignty and human rights issues.

Uncharacteristic Quiet So Far. In the past Beijing has reacted strongly and rapidly to indications that the United States would be selling new arms to Taiwan. Since President Bush's public statement on 30 July that he was reconsidering F-16 sales to Taiwan, however, Beijing has been relatively silent over the issue. The only public response we are aware of has been from a non-authoritative Hong Kong news service which reported that a Chinese Foreign Ministry spokesman had called on the United States in general terms to honor its commitments to China regarding sales to Taiwan, in sharp contrast to Beijing's heavy pressure on Israel and France in attempts to block them from selling fighters to Taiwan. Vice Foreign Minister Liu Huaqiu, in his 6 August meetings with US officials, did not raise the issue of the F-16s in the plenary session.

In contrast, the Chinese demarched Washington immediately on the recent leasing of Knox-class frigates to Taiwan.

China's Likely Course of Action. Although China could react emotionally with reprisals given the sensitivity of the leadership on the Taiwan issue, we judge that China's response will be strongly influenced by the way the sale--especially any stipulations beneficial to China--are presented. In the past, China has attempted to use economic bait to convince European suppliers to restrict military sales to Taiwan; however, France has probably already decided that Taipei's even larger economic incentives--such as contracts backed up by Taiwan's \$85 billion in cash reserves--outweigh China's and now appears ready to sell the island multirole fighter aircraft.

In seeking concessions, Beijing would probably deny linkage to the F-16 sale, but might insist on:

- Prenotification and consultation on any US arms sales to Taiwan. Beijing might also seek guarantees from Washington that Taiwan would limit its sources of non-US arms acquisitions.
- The lifting of the military sanctions enacted in June 1989--including the return of the Peace Pearl F-8-2s now in US storage--and resumption of military-to-military cooperation on projects placed on hold after the imposition of sanctions following the Tiananmen crackdown in June 1989.
- Concessions on the licensing of US-made satellites destined to be launched on Chinese space boosters and waivers from any US sanctions resulting from its receipt last year of Soviet RD-120 space launch engines that exceed MTCR guidelines.
- Economic incentives such as US support for China's quick accession to the GATT, most favored nation (MFN) guarantees, and easing trade pressure on 301 market access negotiations. Given Deng Xiaoping's current drive for economic reform, he might personally find such concessions especially attractive.
- Resumption of official high-level diplomatic contacts.

China would also certainly press for certain restrictions on the actual F-16 sale. Beijing, of course, would probably be less worried about a smaller sale than a larger one. Beijing might also believe it was less threatened if the fighter's offensive capabilities were as limited as possible. There are several alterations that they might press for:

- Elimination of the ground-attack targeting capabilities by precluding the software necessary for the radar's computer to process terrain mapping/following information.
- Installation of only air-to-air missile pylons, but no bomb-carrying pylons.
- Reduction of the fighter's range. An F-16 with external tanks has a combat radius several times longer than any of Taiwan's current fighters. Such an alteration would be difficult, but theoretically possible through removing part of the F-16's fuel lines such that it would be unable to utilize external fuel tanks and reducing the capacity of the F-16's internal fuel tanks.

Though Beijing's response to date over the potential F-16 sale leads us to believe that China may press for concessions, rather than taking retaliatory action, we cannot rule out the latter possibility, particularly if China's octogenarian hardline elders are healthy enough this fall to use the issue to attack Deng. In pressing France to drop its proposed Mirage 2000-5 sale to Taiwan, Beijing has threatened a range of diplomatic and economic repercussions. If China decided to retaliate for an F-16 sale to Taiwan, Beijing could:

- Claim that because the United States was loosely interpreting its agreements with China, China should be free to do the same. In the past, Beijing has linked US arms sales to Taiwan to China's own arms sales and its associated arms control and proliferation agreements--such as agreements to abide by the MTCR. In its protest over US plans to lease Knox-class frigates to Taiwan, Beijing referred to the deal as weapons proliferation in a sensitive region of China, laying the foundation for linkage to US proliferation concerns. Beijing might even decide to resume missile sales to countries such as Syria and Pakistan, although the regime is well aware this would almost certainly result in loss of its MFN trading status.
- Threaten to downgrade or even break diplomatic relations with the United States. China probably feels it has too much to lose by breaking off its US relations, however, and would be more likely to restrict the access of US diplomats to Chinese officials as it did after the United States imposed sanctions in June 1989.
- Retaliate against US commercial interests in China, such
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This could be a double edge sword, however; if Beijing were to retaliate against such companies it would not only lose jobs and access to US products and technology, but Beijing would have to anticipate losing additional US support for maintaining China's MFN trading status. China could also cancel hundreds of millions of US dollars in annual grain purchases from the United States.
- Stage military exercises near the Taiwan Strait. Beijing might hope that intense military pressure would cause Taiwan to renege on accepting the F-16, although the regime is probably also aware that such actions could lend credence to Taiwan's calls for US military assistance.

- Escalate Sino-CIS military arms and technology cooperation. While additional purchases are possible, China's military spending is constrained by other budgetary pressures. The Chinese military, however, would be better armed in seeking budget increases.
- Assume a stronger role in opposing the United States in the international arena. Beijing would probably become less cooperative on US initiatives in the United Nations.

Long Term Implications for Sino-US Relations. Assuming an F-16 sale to Taiwan goes through, its long term impact on Sino-US relations will probably reflect the following:

- If Washington offered to brief Beijing in advance on the deal, the Chinese would probably expect prior notification of any major US arms sales to Taiwan in the future. The regime might press even further for consultations with the United States on larger US-Taiwan security issues.
- China may calculate future US arms sales to Taiwan will remain limited; additionally, Beijing will have averted a high-profile arms purchase from Europe by Taiwan, thereby avoiding major, and uncontrolled, European arms sales to the island.
- Deng might be able to use such an outcome to his political advantage by arguing he had improved US relations while preventing Taiwan from diversifying its arms suppliers and preserving the basic framework of the 1982 Communique intact. This would especially be true if US concessions included assistance to enhance China's international economic stature, such as support for China's GATT membership.
- Although less likely, Beijing could increase its long-term military presence along the Taiwan Strait, claiming the US was responsible for markedly strengthening a renegade Chinese province. This could include permanently supplementing its forces along the coast with newer equipment, such as China's Su-27s, and deploying larger numbers of short range missiles in the region than is already planned for. China is developing the M-11 short-range ballistic missile, and will probably deploy it with ground units by the mid-1990s.

Implications for Taiwan-US relations. Taiwan-US relations would almost certainly be enhanced by an F-16 sale and Taipei would no doubt be willing to give favorable consideration to the involvement of US companies in Taiwan's Six Year National Development Plan--estimated to be worth \$300 billion. The government has reportedly offered such incentives to the French

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if they would sell Taiwan fighter aircraft. Taiwan's internal politics would also be affected. Taiwan's President, Li Teng-hui, would be viewed as having successfully obtained not only the long sought after F-16, but also greater US support for Taiwan, thereby strengthening his position in pursuing political reform in Taiwan. [REDACTED]

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